

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07  
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06  
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15  
STR-04 CEA-01 PA-02 PRS-01 ACDA-10 IO-14 L-03  
NRC-07 OES-07 FEAE-00 DODE-00 ERDA-07 /153 W  
-----311806Z 008070 /45

R 312048Z MAY 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 8677  
DEPARTMENT TREASURY  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
AMCONSUL FRANKFURT

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DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A  
TAGS: EFIN, GW  
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING MAY 30)

1. BUNDESTAG BUDGET COMMITTEE PROPOSES TO CUT 1977  
FEDERAL DRAFT BUDGET BY DM 0.8 BILLION:  
THE BUNDESTAG BUDGET COMMITTEE HAS COMPLETED DELIBERA-  
TIONS OF THE DM 171.8 BILLION FEDERAL DRAFT BUDGET FOR  
1977. THE COMMITTEE PROPOSED A NUMBER OF EXPENDITURE  
INCREASES, INCLUDING A DM 1 BILLION UPPING OF SUBSIDIES  
FOR THE FEDERAL RAILWAYS. AT THE SAME TIME, HOWEVER, IT  
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RECOMMENDED EXPENDITURES CUTS ELSEWHERE, AMONG OTHER  
THINGS BY RAISING THE ACROSS-THE-BOARD, UNSPECIFIED  
SAVINGS ENTRY IN THE BUDGET BY DM 0.7 BILLION AND BY  
CURBING ORIGINALLY BUDGETED OUTLAYS FOR SAVINGS  
PROMOTION, CHILDREN ALLOWANCES, INTEREST PAYMENTS AND  
PAY BOOSTS FOR PUBLIC SERVANTS. AS THE NET EFFECT OF  
THE RESHUFFLE, EXPENDITURES ARE NOW PLACED AT DM 171

BILLION, I.E., DM 0.8 BILLION LESS THAN ORIGINALLY PROPOSED BY THE GOVERNMENT. THE EXPENDITURE VOLUME AS CHANGED BY THE COMMITTEE WOULD EXCEED ACTUAL 1976 OUTLAYS BY 5.7 PERCENT, WHEREAS THE GOVERNMENT DRAFT WOULD HAVE MEANT A 6.2 PERCENT INCREASE. THE COMMITTEE ALSO INCORPORATED IN THE DRAFT MORE RECENT, AND MORE FAVORABLE, REVENUE ESTIMATES, UPPING THE ORIGINAL TOTAL BY SOME DM 1.6 BILLION. THE PROPOSED NET EXPENDITURE CUTS AND HIGHER REVENUE ESTIMATES ADD UP TO A REDUCTION OF THE BUDGETED 1977 DEFICIT FROM DM 22.8 BILLION TO DM 20.4 BILLION. IN 1976 THE DEFICIT AMOUNTED TO DM 25.8 BILLION. SECOND AND THIRD READING OF THE DRAFT AND THE BUNDESTAG VOTE HAVE BEEN SCHEDULED FOR THE PERIOD JUNE 21-24.

2. BUNDESBANK FOREIGN POSITION:

DURING THE PERIOD MAY 15-23 THE BUNDESBANK'S NET FOREIGN POSITION INCREASED BY DM 0.5 BILLION TO DM 84.7 BILLION. GERMANY'S IMF GOLD TRANCHE POSITION INCREASED BY DM 117 MILLION, SDR HOLDINGS BY DM 104 MILLION, SPECIAL CREDITS TO THE IMF BY DM 55 MILLION, AND FOREIGN EXCHANGE HOLDINGS BY DM 223 MILLION. FOREIGN LIABILITIES REMAINED UNCHANGED.

3. BANK LIQUIDITY:

IN THE SAME PERIOD BANK LIQUIDITY INCREASED BY DM 1.7 BILLION. THE BASIC FACTOR REDUCING LIQUIDITY WAS PAYMENTS FOR THE MINOR MID-MAY TAX DATE WHICH INCREASED NET ASSETS OF PUBLIC AUTHORITIES HELD AT THE UNCLASSIFIED

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BUNDESBANK BY DM 4.6 BILLION. (FEDERAL GOVERNMENT ASSETS INCREASED BY DM 2.1 BILLION TO DM 2.3 BILLION, STATE GOVERNMENT ASSETS BY DM 2.2 BILLION TO DM 5.3 BILLION, WHILE ASSETS OF OTHER AUTHORITIES FELL BY DM 0.4 BILLION. AT THE SAME TIME, THE FEDERAL AND THE STATE GOVERNMENTS REDUCED BORROWINGS FROM THE BUNDESBANK BY DM 0.7 BILLION TO ZERO.) OTHER FACTORS REDUCED LIQUIDITY BY DM 1.4 BILLION, NET.

LIQUIDITY WAS INCREASED BY THE ABOVE-MENTIONED INCREASE IN THE BUNDESBANK'S FOREIGN POSITION, THE USUAL DECLINE IN CURRENCY IN CIRCULATION IN THE THIRD WEEK OF A MONTH (DM 2.0 BILLION) AND A DM 5.2 BILLION REDUCTION

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-----311806Z 008087 /45

R 312048Z MAY 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8678

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

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IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK.

(IN THE PERIOD MAY 1-23, BANK RESERVES HELD AT

THE BUNDESBANK AMOUNTED ON AVERAGE PER DAY TO DM 47.8

BILLION AS COMPARED WITH PRELIMINARY MAY RESERVE REQUIRE-  
MENTS OF DM 47.0 BILLION.)

THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE  
BORROWINGS UNDER THE SPECIAL REDISCOUNT FACILITY BY  
DM 1.0 BILLION AND UNDER THE NORMAL REDISCOUNT FACILITY  
BY DM 0.9 BILLION. AT THE SAME TIME, THEY INCREASED  
LOMBARD BORROWINGS BY DM 0.2 BILLION. ON MAY 23, THE  
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BANKS' REDISCOUNT BORROWINGS AMOUNTED TO DM 15.7  
BILLION, LOMBARD BORROWINGS TO DM 0.2 BILLION AND  
BORROWINGS UNDER THE SPECIAL REDISCOUNT FACILITY TO

DM 1.5 BILLION. THUS, ON MAY 23 THE BANKS' TOTAL  
CENTRAL BANK INDEBTEDNESS AMOUNTED TO DM 17.4 BILLION  
AS COMPARED WITH DM 19.1 BILLION ON MAY 15.

#### 4. MONEY MARKET:

FOR THE PERIOD UNDER REVIEW, FRANKFURT INTERBANK RATES  
DEVELOPED AS FOLLOWS:

##### CALL MONEY ONE-MONTH THREE-MONTH

|        |                |      |      |
|--------|----------------|------|------|
| MAY 24 | 4.2-4.5        | 4.20 | 4.30 |
| 25     | 4.3-4.5        | 4.20 | 4.30 |
| 26     | 4.2-4.4        | 4.20 | 4.30 |
| 27     | 4.2-4.4        | 4.20 | 4.30 |
| 30     | GERMAN HOLIDAY |      |      |

#### 5. FOREIGN EXCHANGE MARKET:

FRANKFURT SPOT AND FORWARD DOLLAR RATES FOR THE PERIOD  
MAY 24-31 WERE AS FOLLOWS:

##### FORWARD DOLLARS

SPOT DOLLARS (IN PCT. PER ANNUM)

OPENING FIXING CLOSING ONE-MONTH THREE-MONTH

|        |                |        |        |      |      |
|--------|----------------|--------|--------|------|------|
| MAY 24 | 2.3645         | 2.3637 | 2.3590 | -1.7 | -2.0 |
| 25     | 2.3545         | 2.3559 | 2.3565 | -1.2 | -1.9 |
| 26     | 2.3560         | 2.3577 | 2.3533 | -1.8 | -2.1 |
| 27     | 2.3550         | 2.3555 | 2.3555 | -2.2 | -2.1 |
| 30     | GERMAN HOLIDAY |        |        |      |      |
| 31     | 2.3565         | 2.3564 | N.A.   | N.A. | N.A. |

#### 6. HYPOBANK CREDIT FOR NUCLEAR ENERGY PLANT IN

ARGENTINA:

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THE MUNICH-BASED BAYERISCHE HYPOTHEKEN- UND WECHSELBANK  
HAS ANNOUNCED THAT IT WILL LEND DM 47.5 MILLION IN TWO  
LOANS TO THE ARGENTINE NATIONAL ENERGY COMMISSION.  
ACCORDING TO PRESS REPORTS, ONE CREDIT AMOUNTING TO  
DM 29.0 MILLION WILL COVER 85 PERCENT OF THE COSTS OF  
NUCLEAR FUEL ELEMENTS TO BE SUPPLIED BY REAKTOR-BRENN-  
ELEMENT UNION, A 50 PERCENT OWNED SUBSIDIARY OF KRAFT-  
WERKSUNION (KWU). THE SECOND CREDIT OF DM 18.5 MILLION  
WILL COVER 85 PERCENT OF THE CONSTRUCTION COSTS OF  
UNSPECIFIED NUCLEAR FACILITIES TO BE SUPPLIED BY KWU  
FOR THE "ATUCHA" ATOMIC POWER PROJECT.

#### 7. BOND MARKET:

THE MARKET FOR DOMESTIC BONDS WAS RATHER LISTLESS WITH  
PRICES REMAINING BASICALLY UNCHANGED. ON THE MARKET

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R 312048Z MAY 77

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FOR NEWLY-ISSUED FOREIGN DM BONDS THE FOLLOWING LOANS  
ARE CURRENTLY BEING OFFERED: VOEST ALPINE, AUSTRIA:  
DM 100 MILLION, COUPON 6 3/4 PERCENT, MATURITY 12 YEARS;  
NORWEGIAN NORSK HYDRO: DM 150 MILLION, 6 3/4 PERCENT,  
ISSUE PRICE 99 1/4, 12 YEARS; MEXICO: DM 100 MILLION,  
7 3/4 PERCENT, 7 YEARS.

FOR THE MONTH OF JUNE THE SUBCOMMITTEE FOR FOREIGN DM  
BOND ISSUES OF THE CENTRAL CAPITAL MARKET COMMITTEE  
DECIDED TO PERMIT IN JUNE FOREIGN DM BONDS TALLING  
DM 680 MILLION. BORROWERS WILL INCLUDE THE IRAN  
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DEVELOPMENT BANK (DM 120 MILLION), THE NORWEGIAN NORTH  
GAS (DM 100 MILLION), THE PROVINCE OF MANITOBA (DM 150  
MILLION), THE CITY OF KOBE (DM 100 MILLION), THE SPANISH  
AUTOPISTAS DEL MARE (DM 100 MILLION)

8. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

NON-SEASONALLY ADJUSTED FIGURES

-----  
(PERCENT CHANGE FROM PREVIOUS YEAR'S LEVEL 1)

|               | FEBRUARY | MARCH | APRIL |
|---------------|----------|-------|-------|
|               | -----    | ----- | ----- |
| IMPORT PRICES | 4.9      | 5.7   | 5.2   |
| EXPORT PRICES | 2.3      | 2.3   | 2.1   |

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1/ CALCULATED ON THE BASIS OF INDICES REFLECTING THE  
DEVELOPMENT OF PRICES FOR A GIVEN (1970) BASKET OF  
GOODS.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, FINANCIAL STABILITY, GOVERNMENT BUDGET, ECONOMIC REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 31-May-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BONN09230  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770193-0526  
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**From:** BONN  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1977/newtext/t1977054/aaaaacz.h.tel  
**Line Count:** 303  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** e2e6cc8f-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2453945  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL DEVELOPMENTS (WEEK ENDING MAY 30)  
**TAGS:** EFIN, GE  
**To:** STATE TRSY  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/e2e6cc8f-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009